

# Indian Health Council, Inc.

04854

Financial Report  
December 31, 2008

**McGladrey & Pullen**

Certified Public Accountants

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# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

To the Board of Directors  
Indian Health Council, Inc.  
Pauma Valley, CA

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Indian Health Council, Inc. (the Council), as of and for the year ended December 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the Council's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Council, as of December 31, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2009, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Council has not presented a Management's Discussion and Analysis, which is not a required part of the basic fund financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. The budgetary comparison and the notes to required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods and measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The combining nonmajor fund financial statements, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*McGladrey & Pullen, LLP*

San Diego, CA  
September 23, 2009

Indian Health Council, Inc.

Statement of Net Assets

December 31, 2008

<b>Assets</b>	Governmental Activities
Cash and Investments	\$ 3,966,450
Accounts Receivables, net	337,256
Intergovernmental Receivables	860,401
Prepays	216,135
Inventory	113,745
Restricted Cash	315,473
<b>Total current assets</b>	<b>5,809,460</b>
Capital Assets, net	9,548,552
<b>Total assets</b>	<b>\$ 15,358,012</b>
<b>Liabilities and Net Assets</b>	
Current Liabilities	
Accounts payable	\$ 741,578
Accrued liabilities	600,941
Unearned revenue	531,851
<b>Total current liabilities</b>	<b>1,874,370</b>
Long-Term Liabilities	
Due within one year	357,516
Due in more than one year	4,391,877
<b>Total liabilities</b>	<b>\$ 6,623,763</b>
Net Assets	
Invested in capital assets, net of related debt	\$ 5,348,628
Restricted for debt service	315,473
Unrestricted	3,070,148
<b>Total net assets</b>	<b>\$ 8,734,249</b>

See Notes to Financial Statements.

Indian Health Council, Inc.

Statement of Activities  
Year Ended December 31, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Health Services	\$ 14,413,098	\$ 1,969,910	\$ 12,286,340	\$ (156,848)
<b>Total governmental activities</b>	<b>14,413,098</b>	<b>1,969,910</b>	<b>12,286,340</b>	<b>(156,848)</b>
General revenues:				
Investment income				206,762
Net decrease in the fair value of investments				(415,440)
<b>Total general revenues</b>				<b>(208,678)</b>
<b>Change in net assets</b>				<b>(365,526)</b>
Net assets, beginning				9,099,775
Net assets, ending				<u><u>\$ 8,734,249</u></u>

See Notes to Financial Statements.

Indian Health Council, Inc.

**Balance Sheet—Governmental Funds**  
**December 31, 2008**

	General Fund	Indian Health Services Award Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and Investments	\$ 3,966,150	\$ -	\$ 300	\$ 3,966,450
Accounts Receivable, Net	337,256	-	-	337,256
Intergovernmental Receivables	-	-	860,401	860,401
Prepays	216,135	-	-	216,135
Inventory	-	113,745	-	113,745
Due From Other Funds	753,358	905,137	531,913	2,190,408
Restricted Cash	-	-	315,473	315,473
<b>Total assets</b>	<b>\$ 5,272,899</b>	<b>\$ 1,018,882</b>	<b>\$ 1,708,087</b>	<b>\$ 7,999,868</b>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ 96,199	\$ 557,536	\$ 43,953	\$ 697,688
Accrued liabilities	309,936	227,553	63,452	600,941
Unearned revenue	-	-	531,851	531,851
Due to other funds	1,437,050	-	753,358	2,190,408
<b>Total liabilities</b>	<b>1,843,185</b>	<b>785,089</b>	<b>1,392,614</b>	<b>4,020,888</b>
<b>Fund Balance, unreserved:</b>				
<b>Reported in:</b>				
General fund	3,429,714	-	-	3,429,714
Special revenue funds	-	233,793	-	233,793
Debt service fund	-	-	315,473	315,473
<b>Total fund balance</b>	<b>3,429,714</b>	<b>233,793</b>	<b>315,473</b>	<b>3,978,980</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,272,899</b>	<b>\$ 1,018,882</b>	<b>\$ 1,708,087</b>	<b>\$ 7,999,868</b>

See Notes to Financial Statements.

Indian Health Council, Inc.

Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net Assets  
December 31, 2008

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Total governmental funds balance	\$	3,978,980
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Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not current financial  
resources and, therefore, are not reported in the funds.

Land	\$	195,639	
Vehicles		206,513	
Equipment, furniture and fixtures		3,109,157	
Buildings and Improvements		10,480,712	
Less accumulated depreciation		<u>(4,443,469)</u>	
			9,548,552

Liabilities not payable from current available resources are not reported  
as fund liabilities in governmental fund statements. All liabilities, both  
current and long term, are reported in the government-wide  
statements.

Certificates of participation	(2,045,397)	
Note payable	(2,470,000)	
Interest payable	(43,890)	
Compensated absences	<u>(233,996)</u>	
		(4,793,283)

Net assets of governmental activities	\$	<u><u>8,734,249</u></u>
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See Notes to Financial Statements.



Indian Health Council, Inc.

**Statement of Revenues, Expenditures and Changes  
in Fund Balances—Governmental Funds  
Year Ended December 31, 2008**

	General Fund	Indian Health Services Award Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Intergovernmental	\$ 1,969,910	\$ 8,800,516	\$ 3,535,703	\$ 14,306,129
Interest income	206,762	-	-	206,762
Net decrease in the fair value of investments	(415,440)	-	-	(415,440)
<b>Total revenues</b>	<u>1,761,232</u>	<u>8,800,516</u>	<u>3,535,703</u>	<u>14,097,451</u>
Expenditures:				
Health services	162,189	9,866,677	3,622,378	13,651,244
Capital outlay	29,500	40,888	-	70,388
Debt service:				
Principal	-	-	123,768	123,768
Interest and fiscal charges	5,955	-	256,419	262,374
<b>Total expenditures</b>	<u>197,644</u>	<u>9,907,565</u>	<u>4,002,565</u>	<u>14,107,774</u>
<b>Excess of revenues over (under) expenditures</b>	<u>1,563,588</u>	<u>(1,107,049)</u>	<u>(466,862)</u>	<u>(10,323)</u>
Other financing sources (uses):				
Transfers in	898	1,205,942	437,902	1,644,742
Transfers out	(1,643,844)	-	(898)	(1,644,742)
<b>Total other financing sources (uses)</b>	<u>(1,642,946)</u>	<u>1,205,942</u>	<u>437,004</u>	<u>-</u>
<b>Net changes in fund balances</b>	<u>(79,358)</u>	<u>98,893</u>	<u>(29,858)</u>	<u>(10,323)</u>
Fund balances, beginning of year	3,509,072	134,900	345,331	3,989,303
Fund balances, end of year	<u>\$ 3,429,714</u>	<u>\$ 233,793</u>	<u>\$ 315,473</u>	<u>\$ 3,978,980</u>

See Notes to Financial Statements.

Indian Health Council, Inc.

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
Year Ended December 31, 2008**

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Net change in fund balances—governmental funds	\$	(10,323)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$	70,388	
Depreciation expense		(522,609)	
Loss on disposal of assets		<u>(62)</u>	
			(452,283)

The obligation for compensated absences is recorded in the fund financial statements when due. However, the obligation and expense are recorded when earned in the government-wide financial statements.

17,202

In the statement of net assets, acquiring debt increases long-term liabilities and does not affect the statement of activities. Repayment of principal is an expenditure in the governmental funds but reduces liabilities in the statement of net assets. In addition, interest on long-term debt is not recognized until due in fund statements, rather than as it accrues in government-wide statements. In the current period, these amounts are:

Principal payments for certificates of participation and notes payable	123,768	
Change in accrued interest	<u>5,989</u>	
		129,757

Revenues recognized in the statement of activities in previous years were recognized in the fund statements in the current year.

(49,879)

Change in net assets of governmental activities

\$ (365,526)

See Notes to Financial Statements.

**Note 1. Nature of Operations and Summary of Significant Accounting Policies**

**Nature of operations:** The Indian Health Council, Inc. (the Council) is a not-for-profit tax-exempt corporation under Internal Revenue Code (IRC) Section 501 (c)(3) organized as a joint venture between nine Indian Tribes of northern San Diego County. Each federally recognized member Tribe, through its own election process, designates two tribal members as representatives to serve as delegates on the Council's Board of Directors. The Council provides medical and dental services at a community health clinic and satellite offices in north San Diego County, as well as home visitation and counseling of Indian residents on health practices and nutrition, mental health counseling, and environment health monitoring and assistance. It also provides contract health care for eligible recipients through outside care providers.

The Council receives approximately 62 percent of its revenue from the Department of Health and Human Services of the Federal Government under a Compact Agreement to carry out the Self-Governance Program authorized by Title V and is intended to transfer to the Council at tribal request the power to decide how programs will be carried out and to enhance the effectiveness and long-term financial stability of the Council.

The criteria of oversight responsibility, special financing relationships and scope of public service was used to determine the agencies or entities which comprise the Council for financial reporting purposes. Oversight responsibility is determined by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations and accountability for fiscal matters. Based on these criteria, there are no agencies or entities that should be combined with the financial statements of the Council.

**Reporting entity:** The accompanying financial statements of the Council have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Government Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. GASB statements and interpretations constitute GAAP for state and local governments, which include Indian tribes.

**Basis of presentation:** The basic financial statements of the Council include the government-wide and fund financial statements. The government-wide financial statements focus on the Council as a whole, while the fund financial statements report additional and detailed information about the Council's major governmental funds.

**Government-wide financial statements:** The government-wide financial statements of net assets and activities display information about the Council's primary government. These statements include financial activities of the overall Council. Governmental activities are financed primarily through grants, investment income and intergovernmental revenues and transfers.

The government-wide statement of activities reflects the cost of programs and functions (health services) reduced by directly associated revenues (program income and operating and capital grants) to arrive at the net revenue or expense for each program or function. Net program revenue or expenses for governmental activities are then adjusted for general revenues to determine the change in net assets for the year. When both restricted and unrestricted resources are available for use, it is the Council's policy to use restricted resources first, and then unrestricted resources as they are needed.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as program revenues include (1) charges to customers for goods and services, and (2) operating grants and contributions.

Notes to Financial Statements

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**Note 1. Nature of Operations and Summary of Significant Accounting Policies, Continued**

**Fund financial statements:** The accounts of the Council are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Major individual governmental funds are reported as separate columns in the fund financial statements. The fund financial statements provide information about the Council's funds. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Council reports the following major governmental funds:

**General fund:** The general fund is the general operating fund of the Council and as such is required to be reported as a major fund of the Council. It is used to account for all financial resources except those required to be accounted for in another fund.

**Indian Health Service Fund:** The Indian Health Service Fund accounts for resources received by the Clinic from the U.S. Department of Health and Human Services to administer health, dental and social services to Native Americans in the form of annual funding agreements.

**Basis of accounting:** The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues when all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Charges for services and intergovernmental revenue are recognized in the period they are susceptible to accrual, when they become both measurable and available to finance the expenditures of the fiscal period. Grant revenue is considered available if it is expected to be collected within one year and all eligibility requirements are met. Expenses are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenses, as well as expenses related to claims and judgments, and compensated absences, are recorded only when payment is due.

**Cash and investments:** Investments are generally reported at fair value, based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation. Changes in fair value that occur during the fiscal year are recognized as investment income for that fiscal year. Investment gains and losses are recognized when the investment is sold. Investment earnings, including interest and dividends, are recognized in the period earned.

**Investment in mutual funds:** Open-end mutual funds are not traded on exchanges and are purchased from the mutual fund itself or from an agent. The Council's mutual fund investments are primarily invested in debt and equity securities. Investments in mutual funds are reported at fair value based on published net asset values. Investment income is recognized in the period earned.

Cash balances of each of the Council's funds, except for restricted accounts, are pooled and invested by the Council. Income from pooled investments is allocated to the individual funds based on the fund participant's average daily cash balance at the month-end in relation to total pooled investments. The Council's policy is to charge interest to those funds that have a negative average daily cash balance at month-end. Deficit cash balances are reclassified as due to other funds and funded by the General Fund.

**Note 1. Nature of Operations and Summary of Significant Accounting Policies, Continued**

**Restricted cash:** The Council had \$315,473 of restricted cash classified as a current asset as of December 31, 2008. The balance represents cash reserve funds required by the certificates of participation.

**Concentrations:** The Council's operations are funded primarily by various health-related federal programs from the Department of Health and Human Services.

**Revenue and receivables from third-party payors:** Revenues from third-party payors consist primarily of private insurers, Medicare and Medi-Cal and are recognized when medical and dental services are provided to patients. Receivables are based on information provided to the Council. Receivables more than 90 days past due are deemed uncollectible and written off against receivables. Recoveries of receivables previously written off are recorded when received. As of December 31, 2008, there was \$96,756, \$228,322 and \$9,828 in receivables related to Dental, Medical and Pharmacy revenue, respectively. In 2008 the Council wrote off \$6,020 of third-party receivables.

**Interfund transactions:** Transactions among the Council's funds that would be treated as revenues and expenditures, or expenses if they involved organizations external to the Council, are accounted for as revenues and expenditures or expenses in the funds involved. Transactions that constitute reimbursements to a fund for expenditures initially made from it, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund. Transactions which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended are separately reported in the respective funds' operating statements.

Activity between funds that is representative of lending/borrowing arrangements at the end of the fiscal year is referred to as "due to/from other funds."

**Unearned revenue:** Unearned revenue reported in governmental activities and governmental funds represents money received during the current or previous fiscal years that has not been earned. These monies will be recognized as revenues in subsequent fiscal years, once the revenue has been earned or becomes available.

**Inventory:** Inventory consists of expendable pharmaceutical supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used.

**Capital assets:** Capital assets, which include property, vehicles, equipment and improvements, are reported in the government-wide financial statements. The Council defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Notes to Financial Statements

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**Note 1. Nature of Operations and Summary of Significant Accounting Policies, Continued**

Property, equipment and improvements are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	40
Medical and dental equipment	7-15
Office furniture and equipment	5-20
Vehicles	4
Computer equipment	3-5

**Long-term obligations:** In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

For long-term obligations, only that portion expected to be financed from expendable available financial resources and is due, is reported as a fund liability of a governmental fund.

**Compensated absences:** Employees eligible for vacation benefits include those employees who have completed three months of continuous service with the Council. Part time employees earn vacation benefits on a pro rata basis.

The maximum accrued vacation time any employee can maintain is 216 hours. Upon termination of employment, eligible employees will be paid for all earned and unused vacation benefits. The Council has an option that employees may voluntarily donate some or all of their earned vacation benefit to another employee under specific conditions.

All vacation pay is accrued when earned in the government-wide financial statements as long-term liabilities. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

As of December 31, 2008, there was \$233,996 of compensated absences accrued for governmental-type activities.

**Fund equity:** Fund financial statements classify governmental fund equity as reserved equity when it is not available for appropriation or is legally restricted.

**Net assets:** Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation and outstanding debt used to purchase or construct an asset. Net assets are reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the Council or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**Use of estimates:** The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Income taxes:** The Council considers itself exempt from federal and state income taxes based upon the Council being a not-for-profit tax-exempt corporation under IRC Section 501(c)(3).

Notes to Financial Statements

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**Note 1. Nature of Operations and Summary of Significant Accounting Policies, Continued**

**Pronouncements issued but not yet adopted:** The GASB has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statement may have on the financial statements of the Council:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement, issued in March 2009, improves the usefulness of the financial statements by providing clearer, more structured fund balance classifications and by clarifying the definitions of existing governmental fund types. Beginning with the most binding constraints, fund balance amounts will be reported in the following five major classifications: (1) nonspendable—resources that cannot be spent because of their form or because they must be maintained intact; (2) restricted—by externally enforceable limitations on use imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation; (3) committed—self-imposed limitations set in place prior to the end of the period; (4) assigned—limitations resulting from intended use and (5) unassigned—residual net resources. The requirements of Statement No. 54 are effective for financial statements for periods beginning after June 15, 2010.

**Note 2. Deposits and Investments**

Cash and investments at December 31, 2008 consist of the following:

Cash on hand	\$ 2,453
Cash held in financial institutions	2,125,479
Total cash	<u>2,127,932</u>
Mutual funds	1,180,942
United States agencies	379,354
Managed futures	278,222
Total investments	<u>1,838,518</u>
Total cash and investments	<u>\$ 3,966,450</u>
Restricted cash	<u>\$ 315,473</u>

**Custodial credit risks:** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Council's deposits may not be returned to it. As of December 31, 2008, the carrying amount of deposits was \$2,440,952, and the bank balance was \$2,470,920. Of these bank balances, \$1,250,000 was insured by the Federal Deposit Insurance Corporation and the remaining bank balance was uncollateralized and uninsured as of December 31, 2008.

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty (i.e., broker/dealer) to the transaction, the Council will not be able to recover the value of its investment securities that are in the possession of the counterparty. The Council's investment policy requires that a third-party bank trust department hold all securities owned by the Council. All of the Council's investments held with independent third-party custodian banks, are held in the name of the Council and segregated from securities owned by the banks.



## Notes to Financial Statements

## Note 2. Cash and Cash Equivalents, Continued

**Authorized investments:** The Council maintains cash and investments in accordance with its investment policy. The investment manager has the authority to purchase, sell or hold specific securities. Investments managed by the investment manager are invested in accordance with the policy implemented by the Board of Directors with guidance from the investment management consultant. The policy lists the acceptable portfolio parameters and the acceptable types of investments. The following identifies the investment types that are authorized by the Council's investment policies:

- Cash equivalents
- Fixed income securities
- Equity securities
- Mutual funds
- Guaranty investment contracts

**Interest rate and credit risk:** The Council does not have an interest rate risk policy. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Council's practice is to manage its exposure to interest rate risk by purchasing a combination of different debt securities with varying maturities that coincide with the Council's cash flow needs.

The Council manages credit risk by investing in mutual funds of debt or similar securities with a broad range of credit ratings. Credit ratings are not specified in the Council's investment policy. Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations guaranteed by the U.S. government are not considered to have credit risk.

Credit risk and information about the sensitivity of the fair values of the Tribe's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Tribe's investments by maturity (in years) and credit ratings:

Investment Type	Rating	Less Than 1		1-5	6-10
United States agencies	AAA	\$ 379,354	\$ 159,097	\$ 220,257	\$ -
Mutual funds	AA-BBB	608,846	-	-	608,846
		<u>\$ 988,200</u>	<u>\$ 159,097</u>	<u>\$ 220,257</u>	<u>\$ 608,846</u>
Investments not subject to credit or interest rate risk:					
Mutual funds		572,096			
Managed futures		<u>278,222</u>			
Total investment not subject to credit or interest rate risk		<u>850,318</u>			
Total Council investments		<u>\$ 1,838,518</u>			

The Council's policy with respect to short-term investments prohibits any one holding, including U.S. government-backed securities, from representing more than 10 percent of the total value of portfolio holdings.



Indian Health Council, Inc.

Notes to Financial Statements

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**Note 3. Interfund Transactions**

Interfund balances represent short-term borrowing resulting from funds' temporary need for additional cash. Primarily, these amounts have been recorded when funds overdraw their share of pooled cash. These balances are expected to be repaid within the next 12-month fiscal operating cycle.

The composition of interfund balances as of December 31, 2008 is as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General	\$ 753,358	\$ 1,437,050
IHS	905,137	-
Other nonmajor funds	531,913	753,358
	<u>\$ 2,190,408</u>	<u>\$ 2,190,408</u>

Transfers represent subsidies by one fund to another in accordance with the budget and provide support for various Council programs.

Interfund transfers are summarized as follows:

<u>Fund</u>	<u>Transfers From Other Funds</u>	<u>Transfers to Other Funds</u>
General	\$ 898	\$ 1,643,844
IHS	1,205,942	-
Other nonmajor funds	437,902	898
	<u>\$ 1,644,742</u>	<u>\$ 1,644,742</u>

Indian Health Council, Inc.

Notes to Financial Statements

Note 4. Capital Assets

The Council's capital asset activity for the year ended December 31, 2008 is summarized as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 195,639	\$ -	\$ -	\$ 195,639
Capital assets being depreciated:				
Vehicles	206,513	-	-	206,513
Equipment, furniture and fixtures	3,075,738	48,388	(14,969)	3,109,157
Buildings and improvements	10,458,712	22,000	-	10,480,712
Total capital assets being depreciated	13,740,963	70,388	(14,969)	13,796,382
Less accumulated depreciation	3,935,767	522,609	(14,907)	4,443,469
Total depreciable capital assets, net	9,805,196	(452,221)	(62)	9,352,913
Total capital assets, net	\$ 10,000,835	\$ (452,221)	\$ (62)	\$ 9,548,552

Depreciation was charged to Health Services in the statement of activities.

Note 5. Long-Term Debt

The following is a summary of the changes in long-term debt for the year ended December 31, 2008:

	Balance, 2007	Additions	Deletions	Balance, 2008	Due in One Year
Note payable	\$ 2,114,165	\$ -	\$ (68,768)	\$ 2,045,397	\$ 63,520
Certificates of participation	2,525,000	-	(55,000)	2,470,000	60,000
Subtotal debt	4,639,165	-	(123,768)	4,515,397	123,520
Compensated absences	251,198	461,052	(478,254)	233,996	233,996
Total debt	\$ 4,890,363	\$ 461,052	\$ (602,022)	\$ 4,749,393	\$ 357,516

**Certificates of participation:** In 1999 the Council issued certificates of participation for \$2,900,000 due October 1, 2029 for the purpose of constructing and equipping an outpatient clinic in Valley Center, California. The certificates of participation bear interest at 6.25 percent and are secured by a first deed of trust on the real property, a financing statement encumbering equipment, furniture, fixtures and receivables and an assignment of certain revenues. The interest on the certificates of participation is payable semiannually on April 1 and October 1, and commenced October 1, 1999. Principal is due annually and ranges from \$20,000 to \$200,000 and also commenced on October 1, 1999. The certificates of participation are also subject to mandatory sinking fund payments pursuant to the indenture at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium on dates specified in the indenture through 2029.

## Notes to Financial Statements

## Note 5. Long-Term Debt, Continued

**Note payable:** In conjunction with the issuance of the certificate of participation, Council entered into a note payable with the United States Department of Agriculture for the purpose of financing a portion of the construction of the outpatient clinic in Valley Center, California. The note payable bears interest at 4.5 percent per annum and is due on March 25, 2029. The promissory note requires monthly principal and interest payments of \$12,875, which commenced on April 25, 2000. The note payable is secured by a deed of trust on the real property of the Council on a parity with the deed of trust on the certificates of participation.

The required debt service payments are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 123,520	\$ 244,418	\$ 367,938
2010	131,435	237,671	369,106
2011	139,490	230,479	369,969
2012	147,683	222,834	370,517
2013	151,022	214,807	365,829
2014–2018	890,815	940,513	1,831,328
2019–2023	1,165,552	666,323	1,831,875
2024–2028	1,532,920	305,425	1,838,345
2029–2033	232,960	12,662	245,622
	<u>\$ 4,515,397</u>	<u>\$ 3,075,132</u>	<u>\$ 7,590,529</u>

There are certain restrictions and covenants contained in the note and certificate of participation indentures.

## Note 6. Commitment and Contingencies

The Council receives federal grants for various specific purposes. These grants are subject to audit, which may result in requests for reimbursements to granting agencies for expenditures disallowed under the terms of the grants. Council management believes that such disallowance, if any, is immaterial.

The Council leases copiers and postage machines under operating lease agreements that expire in 2011 and 2012, respectively. The agreements provide for aggregate monthly lease payments of \$7,975. Total lease expense was \$60,981, for the year ended December 31, 2008.

Total future minimum lease payments due under existing leases in effect as of December 31, 2008 are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2009	\$ 95,700
2010	95,700
2011	86,124
2012	33,481
	<u>\$ 311,005</u>

Notes to Financial Statements

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**Note 7. Retirement Plan**

The Council has an Employer Contributory Tax Deferred Annuity Plan (the Plan), which qualifies under 403(b) of the IRC and the Employment Retirement Income Security Act (ERISA). The Plan is available to all full-time employees who have completed one year of service. Employee contributions are limited to a maximum annual amount, as set periodically by the Internal Revenue Service. The Council matches 60 percent of the employee elective deferrals that do not exceed 13 percent of the active participant's compensation. Participants become fully vested in employer contributions, as well as any earnings thereon, in the period the contribution is made. The assets of the 403(b) Plan are not reported as a fiduciary fund of the Council, as the Council does not hold the assets of the Plan in conjunction with its fiduciary responsibility to its employees. The Council contributed \$186,485 in matching funds during 2008.

**Note 8. Risk Management**

The Council is exposed to various risks of loss related to workers' compensation and torts; theft of, damage to or destruction of assets; malpractice and errors and omissions. The Council has purchased commercial insurance policies for workers' compensation, general liabilities, errors and omissions, destruction of assets, malpractice and natural disasters. There has been no significant reduction in insurance coverage, and settlements have not exceeded coverage in the past three years.

The Council retains the risk of loss for employee health, dental and vision insurance subject to individual and aggregate stop-loss limits of \$75,000 and \$1,400,000, respectively. Claims liabilities where the Council has retained the risk of loss are based on amounts necessary to pay prior and current year claims, based on claims history and payment patterns, for claims incurred but not yet reported (IBNR).

A reconciliation of the changes in the aggregate liabilities for claims for the current and prior fiscal year are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Claims and Changes</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
2007	\$ 173,188	\$ 1,050,977	\$ 765,680	\$ 458,485
2008	458,485	689,195	820,310	327,370

**Note 9. Subsequent Events**

Due to the ongoing downturn in the global economy, the state of California faces unprecedented deficits with its budget as it heads into a new fiscal year that began on July 1, 2009. In the ongoing attempt to balance the state budget, the State Governor and Legislatures proposed numerous cuts in spending that could have a detrimental impact to future Council programs that are state-funded. These programs include Expanded Access to Primary Care (EAPC), Indian Health Program and Adult Dental, as well as reductions in Medi-Cal reimbursements for certain specialty services. These program reductions could result in approximately \$465,000 in annual funding decreases to the Council. Even though the Council may experience reduced state funding, Council management is moving forward with reviewing operating and overhead expenses and entering into various alliances and seeking alternative grants from other sources, including not-for-profits and federal stimulus funds to offset these potential losses. As a result of these plans, management does not anticipate a significant reduction in services or loss of funding.

Required Supplementary Information

Indian Health Council, Inc.

**Budgetary Comparison Schedule—General Fund**  
**For the Year Ended December 31, 2008**

	Budgeted Amounts— GAAP Basis		Actual Amount GAAP Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,805,000	\$ 1,805,000	\$ 1,969,910	\$ 164,910
Interest income	195,000	195,000	206,762	11,762
Total revenues	2,000,000	2,000,000	2,176,672	176,672
Expenditures:				
Health services	359,251	359,251	162,189	197,062
Other	157,500	157,500	415,440	(257,940)
Capital outlay	-	-	29,500	(29,500)
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	16,000	16,000	5,955	10,045
Total expenditures	532,751	532,751	613,084	(80,333)
Excess of revenues over expenditures	1,467,249	1,467,249	1,563,588	96,339
Other financing sources (uses):				
Transfers in	-	-	898	898
Transfers out	(1,070,000)	(1,070,000)	(1,643,844)	(573,844)
Total other financing (uses)	(1,070,000)	(1,070,000)	(1,642,946)	(572,946)
Net change in fund balance	\$ 397,249	\$ 397,249	\$ (79,358)	\$ (476,607)

See Notes to Required Supplementary Information.

Indian Health Council, Inc.

**Budgetary Comparison Schedule—Indian Health Service Fund  
For the Year Ended December 31, 2008**

	Budgeted Amounts— GAAP Basis		Actual Amount	Variance
	Original	Final	GAAP Basis	Favorable (Unfavorable)
Revenues:				
Intergovernmental	\$ 8,516,000	\$ 8,516,000	\$ 8,800,516	\$ 284,516
Interest income	-	-	-	-
<b>Total revenues</b>	<u>8,516,000</u>	<u>8,516,000</u>	<u>8,800,516</u>	<u>284,516</u>
Expenditures:				
Health services	9,853,952	9,853,952	9,866,677	(12,725)
Capital outlay	71,400	71,400	40,888	30,512
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>9,925,352</u>	<u>9,925,352</u>	<u>9,907,565</u>	<u>17,787</u>
<b>(Deficiency) of revenues (under) expenditures</b>	<u>(1,409,352)</u>	<u>(1,409,352)</u>	<u>(1,107,049)</u>	<u>302,303</u>
Other financing sources (uses):				
Transfers in	1,070,000	1,070,000	1,205,942	135,942
Transfers out	-	-	-	-
<b>Total other financing sources</b>	<u>1,070,000</u>	<u>1,070,000</u>	<u>1,205,942</u>	<u>135,942</u>
<b>Net change in fund balance</b>	<u>\$ (339,352)</u>	<u>\$ (339,352)</u>	<u>\$ 98,893</u>	<u>\$ 438,245</u>

See Notes to Required Supplementary Information.

## Notes to Budgetary Supplement

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The Council follows these procedures in establishing budgetary data:

### **Budget Planning**

In August and September, the executive director prepares a planning memo outlining the organization's budgetary goals and the budget process. The budget planning memo, along with the budget worksheets prepared by the chief financial officer, are distributed to each department head. The department heads prepare the initial budgets using a zero-based budgeting approach identifying operating goals, resource requirements, equipment and capital improvement projects in their respective areas.

### **Budget Review and Approval**

In September and October, the chief financial officer examines the departmental budgets for completeness and proper classification prior to submission to the Health Board. The preliminary operating budget, with comparisons to prior year, along with various summary schedules, is presented to the Health Board during council sessions. After incorporating Health Board changes, the final operating budget is adopted in November and December. Department heads are notified of any significant changes to the original proposals.

### **Budget Reporting and Monitoring**

The Fiscal Department prepares and distributes monthly departmental actual to budget reports. The Health Board is provided summary actual to budget reports with variance analysis prepared by the chief financial officer. Each Department Head is responsible to monitor his or her budget; however, the Fiscal Department investigates significant budget variances.

Actual expenditures exceeded budget appropriations by \$80,333 for the General Fund.

### **Budget Amendments**

Any budget amendment under \$5,000 may be approved by the executive director without having to be approved by the Health Board. Budget amendments over \$5,000 must be approved by the Health Board directly. Additionally, the Health Board reviews a listing of all budget amendments every quarter, even those under \$5,000.



## Nonmajor Governmental Funds

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The nonmajor governmental funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes and constitute primarily the following activities:

**State Fund:** Accounts for health services related to the operation and maintenance of the state-funded Indian Health Program—Fund 02.

**TANF Fund:** Accounts for funds received from California Department of Alcohol and Drug Programs to provide culturally relevant alcohol, drug and mental health services for American Indians in California who are either applying for, or participating in, the CalWORKs and Tribal Temporary Assistance to Needy Families program—Fund 05.

**PIRE—Preventing Underage Drinking:** Accounts for funds received to increase the capacity of IHC staff and community coalition members to collect relevant data and be in position to implement effective interventions to delay the onset of underage drinking in the nine northern San Diego reservations—Fund 06.

**ICWA Fund:** Accounts funds received from the Bureau of Indian Affairs under the Indian Child Welfare Act to provide preventative services, court advocacy services and reunification services for Indian children—Fund 07.

**First 5 Oral Health Initiative:** Accounts for funds received from the Community Clinics Health Network to provide oral health screenings, dental exams, treatment services and health education counseling to children ages zero to five years old and pregnant women with the goal of increasing the number of children from infancy to age 5 in San Diego County who are free from oral health disease—Fund 08.

**OES DV Fund:** Accounts for federal funds from the Office Emergency Services used for the purpose of preventing domestic violence—Fund 09.

**Spirit of the Family Fund:** Accounts for funds received from the County of San Diego to deliver culturally appropriate and relevant services to Native American families and children in crisis—Fund 10.

**Circle of Health (Awesome Woman) Fund:** Accounts for federal funds received to screen American Indian/Alaska Native women ages 18 years and older, with a focus on reducing obesity to prevent the development of Type 2 diabetes and cardiovascular disease among those women who live on the nine northern reservations of San Diego County—Fund 11.

**Many Nations Fund:** Accounts for county funds received from the County of San Diego to provide in- and outpatient substance abuse treatment and counseling services for Native Americans—Fund 13.

**GAP Fund:** Accounts for federal funds from the Bureau of Indian Affairs used to promote personal and family unity and economic and social stability while working toward self-sufficiency, and to reduce alcohol and drug use in Native American adolescents—Fund 14.

**AVON Fund:** Accounts for funds received from the Avon Foundation Breast Care Fund used to conduct outreach and education about breast health to women who are medically underserved—Fund 15.

**BCSGK Fund:** Accounts for funds received from the Susan G. Komen Breast Cancer Foundation used to provide for breast mammography through outreach and mobile services—Fund 16.

**CHAT Fund:** Accounts for federal funds from the Office of Criminal Justice Planning used to provide support and assistance to abused children and their families—Fund 17.

Other Supplementary Information

## Indian Health Council, Inc.

### Nonmajor Governmental Funds

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**PHN Case Management:** Accounts for funds received from IHS/DHHS to increase health indicators for AI/AN elders with chronic illness—Fund 18.

**SDPI Competitive Diabetes Fund:** Accounts for funds received from IHS/DHHS Competitive Grant Program for Cardiovascular Disease Risk Reduction used to develop intervention techniques for diabetics in the local population—Fund 20.

**NANSI Fund:** Accounts for funds received from the Native American Nursing Scholars Institute used to develop a nonprofit organization to help Native Americans start and continue nursing careers. IHC is used mostly as a conduit to pass through funding to this organization from non-IHC funding sources to help it try to get started on its own—Fund 21.

**Diabetes Fund:** Accounts for federal funds from the Department of Health and Human Services used to provide special diabetes programs for Indians—Fund 22.

**OES DV/SA Fund:** Accounts for federal funds from the Office of Emergency Services used for the Partners Domestic Violence and Sexual Assault Program—Program 23.

**Blue Shield Core Support:** Accounts for funds received from the Blue Shield of California Foundation used for core operating costs—Fund 25.

**MIP Fund:** Accounts for state funds received from the State of California Department of Health Services Office of Family Planning to increase community and individual awareness regarding the role and responsibility of young men in family planning—Fund 26.

**SARMS Fund:** Accounts for county funds received from the County of San Diego to help reduce substance abuse in the Native American communities of North San Diego County—Fund 27.

**Community Challenge Grant:** Accounts for funds received from the California Department of Health Services to implement a program aimed at reducing the number of teenage and unwed pregnancies—Fund 31.

**Injury Prevention:** Accounts for federal funds to strengthen and build new strategies that increase safety and prevent injuries within the MC service area—Fund 33.

**Tribal Management Fund:** Accounts for funds received from DHHS to expand on previous TMG awards by implementing the Electronic Health Record Program—Fund 34.

**Sheriff Fund:** Accounts for funds received from the County of San Diego Sheriff's Department used to support a new North County Domestic Violence Center, focused on improving services for Latinas, Native American women living on and off reservations, and other DV victims unable to travel to distant services in central San Diego County—Fund 35.

**Sealant Clinic:** Accounts for funds received from the County of San Diego, Harrah's Rincon Casino & Resort and the San Diego Dental Health Foundation for the purpose of providing dental services to low-income patients—Fund 39.

**Tribal Transit Program:** Accounts for funds received from the U.S. Department of Transportation to increase the number of transport services to key locations in the IHC service area—Fund 42.

Indian Health Council, Inc.

#### Nonmajor Governmental Funds

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**NARCH Fund:** Accounts for funds received from DHHS/IHS to develop a community-wide obesity intervention using participatory action research—Fund 43.

**Tobacco Related Disease Research Project (TDRP) Fund:** Accounts for funds received from the University of California, San Diego to conduct a study of tobacco use patterns with tribal members and investigate cultural perspectives to determine current tobacco use, secondhand smoke exposure and Type 2 diabetes status—Fund 47.

**Traditional Gathering—State:** Accounts for funds received from the California Department of Health Services to develop and implement a regional education program in the area of Traditional Indian Health to improve the cultural competency of health services delivered—Fund 52.

**Debt Service Fund:** Accounts for the payment of principal and interest on the Clinic's certificates of participation and notes payable.

Indian Health Council, Inc.

Combining Balance Sheet—Nonmajor Governmental Funds  
December 31, 2008

Special Revenue Funds									
	2	5	6	7	8	9	10		
					First 5				
					Oral Health				
					Initiative				
Assets	State	TANF	PIRE	ICWA		OES DV	Spirit of	the Family	
Cash and Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Intergovernmental Receivable	116,096	23,979	71,475	-	28,971	24,959	-	-	
Due From Other Funds	-	-	-	94,763	-	-	-	-	
Restricted Cash	-	-	-	-	-	-	-	-	
Total assets	\$ 116,096	\$ 23,979	\$ 71,475	\$ 94,763	\$ 28,971	\$ 24,959	\$ -	-	
Liabilities and Fund Balances									
Liabilities									
Accounts payable	\$ -	\$ 875	\$ -	\$ 971	\$ -	\$ 651	\$ -	-	
Accrued liabilities	9,833	432	4,993	5,727	2,465	3,054	-	-	
Unearned revenue	-	10,647	6,099	88,065	-	-	-	-	
Due to other funds	106,263	12,025	60,383	-	26,506	21,254	-	-	
Total liabilities	116,096	23,979	71,475	94,763	28,971	24,959	-	-	
Fund Balance									
Reserved	-	-	-	-	-	-	-	-	
Unreserved	-	-	-	-	-	-	-	-	
Total fund balances	\$ 116,096	\$ 23,979	\$ 71,475	\$ 94,763	\$ 28,971	\$ 24,959	\$ -	-	
Total liabilities and fund balances	\$ 116,096	\$ 23,979	\$ 71,475	\$ 94,763	\$ 28,971	\$ 24,959	\$ -	-	

Indian Health Council, Inc.

Combining Balance Sheet—Nonmajor Governmental Funds, Continued  
December 31, 2008

Assets	11 Awesome Woman Circle of Health	13 Many Nations	14 GAP	15 AVON	16 BCSGK	17 CHAT	18 PHN
Cash and Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental Receivable	-	46,764	30,720	-	-	44,151	-
Due From Other Funds	-	-	-	847	3,286	-	145,950
Restricted Cash	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 46,764</b>	<b>\$ 30,720</b>	<b>\$ 847</b>	<b>\$ 3,286</b>	<b>\$ 44,151</b>	<b>\$ 145,950</b>

**Liabilities and Fund Balances**

Liabilities							
Accounts payable	\$ -	\$ 8,359	\$ 87	\$ -	\$ -	\$ 16	\$ -
Accrued liabilities	-	2,626	1,894	847	847	2,909	398
Unearned revenue	-	-	-	-	2,439	-	145,552
Due to other funds	-	35,779	28,739	-	-	41,226	-
<b>Total liabilities</b>	<b>-</b>	<b>\$ 46,764</b>	<b>\$ 30,720</b>	<b>\$ 847</b>	<b>\$ 3,286</b>	<b>\$ 44,151</b>	<b>\$ 145,950</b>

Fund Balance

Reserved	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 46,764</b>	<b>\$ 30,720</b>	<b>\$ 847</b>	<b>\$ 3,286</b>	<b>\$ 44,151</b>	<b>\$ 145,950</b>

Indian Health Council, Inc.

Combining Balance Sheet—Nonmajor Governmental Funds, Continued  
December 31, 2008

	20	21	22	23	25	26	27
	SDPI						
Assets	Competitive Diabetes	NANSI	Diabetes	OES DV/SA	Blue Shield Core Support	MIP	SARMS
Cash and Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental Receivable	-	-	86,874	29,371	-	26,354	-
Due From Other Funds	247,576	4,306	-	-	-	-	-
Restricted Cash	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 247,576</b>	<b>\$ 4,306</b>	<b>\$ 86,874</b>	<b>\$ 29,371</b>	<b>\$ -</b>	<b>\$ 26,354</b>	<b>\$ -</b>

<b>Liabilities and Fund Balances</b>							
Liabilities							
Accounts payable	\$ -	\$ -	\$ 95	\$ 293	\$ -	\$ 161	\$ -
Accrued liabilities	6,832	-	7,718	2,468	-	-	-
Unearned revenue	240,744	4,306	39	(104)	-	-	-
Due to other funds	-	-	79,022	26,714	-	26,193	-
<b>Total liabilities</b>	<b>247,576</b>	<b>4,306</b>	<b>86,874</b>	<b>29,371</b>	<b>-</b>	<b>26,354</b>	<b>-</b>
Fund Balance							
Reserved	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 247,576</b>	<b>\$ 4,306</b>	<b>\$ 86,874</b>	<b>\$ 29,371</b>	<b>\$ -</b>	<b>\$ 26,354</b>	<b>\$ -</b>

Indian Health Council, Inc.

Combining Balance Sheet—Nonmajor Governmental Funds, Continued  
December 31, 2008

	31	33	34	35	39	42	43
Assets	Community Challenge	Injury Prevention	Tribal Management	Sheriff	Sealant Clinic	Tribal Transit	NARCH
Cash and Investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 300
Intergovernmental Receivable	44,967	-	-	50,785	-	75,000	131,899
Due From Other Funds	-	33,187	-	-	1,998	-	-
Restricted Cash	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 44,967</b>	<b>\$ 33,187</b>	<b>\$ -</b>	<b>\$ 50,785</b>	<b>\$ 1,998</b>	<b>\$ 75,000</b>	<b>\$ 132,199</b>
<b>Liabilities and Fund Balances</b>							
Liabilities							
Accounts payable	\$ 586	\$ -	\$ -	\$ 126	\$ -	\$ -	\$ 31,733
Accrued liabilities	1,898	1,121	-	3,121	-	2,103	2,166
Unearned revenue	-	32,066	-	-	1,998	-	-
Due to other funds	42,483	-	-	47,538	-	72,897	98,300
<b>Total liabilities</b>	<b>44,967</b>	<b>33,187</b>	<b>-</b>	<b>50,785</b>	<b>1,998</b>	<b>75,000</b>	<b>132,199</b>
Fund Balance							
Reserved	-	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 44,967</b>	<b>\$ 33,187</b>	<b>\$ -</b>	<b>\$ 50,785</b>	<b>\$ 1,998</b>	<b>\$ 75,000</b>	<b>\$ 132,199</b>



Indian Health Council, Inc.

Combining Balance Sheet—Nonmajor Governmental Funds, Continued  
December 31, 2008

	47	52	Debt Service Fund	Total Nonmajor Govern- mental Funds
<b>Assets</b>	<b>TDRP</b>	<b>Traditional Gathering</b>		
Cash and Investments	\$ -	\$ -	\$ -	\$ 300
Intergovernmental Receivable	28,036	-	-	860,401
Due From Other Funds	-	-	-	531,913
Restricted Cash	-	-	315,473	315,473
<b>Total assets</b>	<b>\$ 28,036</b>	<b>\$ -</b>	<b>\$ 315,473</b>	<b>\$ 1,708,087</b>

<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 43,953
Accrued liabilities	-	-	-	63,452
Unearned revenue	-	-	-	531,851
Due to other funds	28,036	-	-	753,358
<b>Total liabilities</b>	<b>28,036</b>	<b>-</b>	<b>-</b>	<b>1,392,614</b>
<b>Fund Balance</b>				
Reserved	-	-	-	-
Unreserved	-	-	315,473	315,473
<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>315,473</b>	<b>315,473</b>
<b>Total liabilities and fund balances</b>	<b>\$ 28,036</b>	<b>\$ -</b>	<b>\$ 315,473</b>	<b>\$ 1,708,087</b>

Indian Health Council, Inc.

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance—Nonmajor Governmental Funds  
Year Ended December 31, 2008

Special Revenue Funds										
	2	5	6	7	8	9	10			
	State	TANF	PIRE	ICWA	First 5 Oral Health Initiative	OES DV	Spirit of the Family			
Revenue:										
Intergovernmental	\$ 353,249	\$ 59,991	\$ 196,574	\$ 237,087	\$ 49,426	\$ 124,660	\$ 44,393			
Total revenue	353,249	59,991	196,574	237,087	49,426	124,660	44,393			
Expenditures:										
Health services	371,521	59,991	196,574	276,176	53,434	124,660	46,041			
Debt service:										
Principal	-	-	-	-	-	-	-			
Interest	-	-	-	-	-	-	-			
Total expenditures	371,521	59,991	196,574	276,176	53,434	124,660	46,041			
Excess of revenues over (under)	(18,272)	-	-	(39,089)	(4,008)	-	(1,648)			
Other financing sources (uses):										
Transfers in	18,272	-	-	-	39,089	4,008	1,648			
Transfers out	-	-	-	-	-	-	-			
Total other financing sources (uses)	18,272	-	-	-	39,089	4,008	1,648			
Net change in fund balances	-	-	-	-	-	-	-			
Fund balances, beginning of year	-	-	-	-	-	-	-			
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			

Indian Health Council, Inc.

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance—Nonmajor Governmental Funds, Continued  
Year Ended December 31, 2008

	11	13	14	15	16	17	18
	<div> <div>Awesome</div> <div>Woman</div> <div>Many Nations</div> <div>GAP</div> <div>AVON</div> <div>BCSGK</div> <div>CHAT</div> <div>PHN</div> </div>						
Revenue:							
Intergovernmental	\$ 80,191	\$ 170,595	\$ 293,146	\$ 25,500	\$ 22,561	\$ 126,046	\$ 4,448
Total revenue	80,191	170,595	293,146	25,500	22,561	126,046	4,448
Expenditures:							
Health services	80,677	170,595	293,146	25,500	22,561	127,982	4,448
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	80,677	170,595	293,146	25,500	22,561	127,982	4,448
Excess of revenues over (under) expenditures	(486)	-	-	-	-	(1,936)	-
Other financing sources (uses):							
Transfers in	486	-	-	-	-	1,936	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	486	-	-	-	-	1,936	-
Net change in fund balances	-	-	-	-	-	-	-
Fund balances, beginning of year	-	-	-	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Indian Health Council, Inc.

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance—Nonmajor Governmental Funds, Continued  
Year Ended December 31, 2008

	20	21	22	23	25	26	27
	SDPI				Blue Shield		
	Competitive	NANSI	Diabetes	OES DV/SA	Core Support	MIP	SARMS
	Diabetes						
Revenue:							
Intergovernmental	\$ 343,774	\$ 4,583	\$ 347,555	\$ 83,534	\$ 35,000	\$ 44,774	\$ -
Total revenue	343,774	4,583	347,555	83,534	35,000	44,774	-
Expenditures:							
Health services	343,774	4,583	347,555	83,534	35,000	44,069	411
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	343,774	4,583	347,555	83,534	35,000	44,069	411
Excess of revenues over (under) expenditures	-	-	-	-	-	-	705 (411)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	411
Transfers out	-	-	-	-	-	(705)	-
Total other financing sources (uses)	-	-	-	-	-	(705)	411
Net change in fund balances	-	-	-	-	-	-	-
Fund balances, beginning of year	-	-	-	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Indian Health Council, Inc.

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance—Nonmajor Governmental Funds, Continued  
Year Ended December 31, 2008

	31	33	34	35	39	42	43
	Community Challenge	Injury Prevention	Tribal Management	Sheriff	Sealant Clinic	Tribal Transit	NARCH
Revenue:							
Intergovernmental	\$ 108,974	\$ 56,229	\$ 53,004	\$ 86,896	\$ -	\$ 75,000	\$ 476,474
Total revenue	108,974	56,229	53,004	86,896	-	75,000	476,474
Expenditures:							
Health services	108,781	61,000	59,637	86,896	-	75,000	476,474
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	108,781	61,000	59,637	86,896	-	75,000	476,474
Excess of revenues over (under)							
expenditures	193	(4,771)	(6,633)	-	-	-	-
Other financing sources (uses):							
Transfers in	-	4,771	6,633	-	-	-	-
Transfers out	(193)	-	-	-	-	-	-
Total other financing sources (uses)	(193)	4,771	6,633	-	-	-	-
Net change in fund balances	-	-	-	-	-	-	-
Fund balances, beginning of year	-	-	-	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Indian Health Council, Inc.

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance—Nonmajor Governmental Funds, Continued  
Year Ended December 31, 2008

	47	52	Debt Service Fund	Nonmajor Govern- mental Funds
	TDRP	Traditional Gathering		
Revenue:				
Intergovernmental	\$ 2,239	\$ 29,800	\$ -	\$ 3,535,703
Total revenue	2,239	29,800	-	3,535,703
Expenditures:				
Health services	2,239	40,119	-	3,622,378
Debt service	-	-	123,768	-
Principal	-	-	256,419	123,768
Interest	-	-	380,187	256,419
Total expenditures	2,239	40,119	380,187	4,002,565
Excess of revenues over (under) expenditures	-	(10,319)	(380,187)	(466,862)
Other financing sources (uses):				
Transfers in	-	10,319	350,329	437,902
Transfers out	-	-	-	(898)
Total other financing sources (uses)	-	10,319	350,329	437,004
Net change in fund balances	-	-	(29,858)	(29,858)
Fund balances, beginning of year	-	-	345,331	345,331
Fund balances, end of year	\$ -	\$ -	\$ 315,473	\$ 315,473

# Indian Health Council, Inc.

Compliance Report

Year Ended December 31, 2008

**McGladrey & Pullen**  
Certified Public Accountants

McGladrey & Pullen, LLP is a member firm of RSM International,  
an affiliation of separate and independent legal entities.

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Schedule of Expenditures of Federal and State Awards  
Year Ended December 31, 2008

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Pass-Through Entity	CFDA Identifying Number/	Number	Grant Number	Expenditures Federal
<b>Federal Programs:</b>					
U.S. Department of Health and Human Services					
Direct Program					
Indian Health Services:					
Tribal Self Governance Program: IHS Compacts/Funding Agreements			93.210*	66G060093	\$ 8,800,516
Tribal Self Governance Program: IHS Compacts/Funding Agreements			93.210*	D91IHS300137	80,191
Indian Health Services—Health Management Development Program			93.228	D259400574	53,004
Indian Health Services—Health Management Development Program			93.228	H1D9400478	343,774
Epidemiology Cooperative Agreements			93.231	U26IHS300004	476,474
Special Diabetes Program for Indians					
Diabetes Prevention and Treatment Projects			93.237*	H1D9400156	347,555
Injury Prevention Program for American Indians and Alaskan Natives					
Cooperative Agreements					
Demonstration Program for Indian Health			93.284	D26IHS300027	56,229
Passed through Pacific Institute for Research & Evaluation					
Preventing Underage Drinking by Southwest California Indians: Building Capacity			93.375	5U01aa016479	196,574
Passed through the County of San Diego Department of Health Services					
Block Grants for Prevention and Treatment of Substance Abuse			93.959	522632	170,595
<b>Total U.S. Department of Health and Human Services</b>					<u>10,529,360</u>
U.S. Department of the Interior					
Direct Programs					
Bureau of Indian Affairs					
Native American Business Development Institute			15.133	CTJ50S04312	293,145
Indian Child Welfare Act—Title II Grants			15.144	CTJ50X04313	237,087
<b>Total U.S. Department of the Interior</b>					<u>530,232</u>
U.S. Department of Justice					
Passed through the State of California					
Office of Emergency Services					
Crime Victim Assistance					
Violence Against Women Formula Grants			16.588	A108111602	121,408
Violence Against Women Formula Grants			16.588	IN08101602	84,477
Passed through the County of San Diego					
Grants to Encourage Arrest Policies and Enforcement of Protection Orders			16.590	N/A	86,896
<b>Total U.S. Department of Justice</b>					<u>407,102</u>
U.S. Department of Transportation					
Direct Program					
Tribal Transit Program			20.599	CA-18-X029-00	75,000
<b>Total U.S. Department of Transportation</b>					<u>75,000</u>
<b>Total Expenditures of Federal Awards</b>					<u>\$ 11,541,694</u>
CFDA - Catalog of Federal Domestic Assistance					
* Denotes major program					

See Notes to Schedule of Expenditures of Federal and State Awards.

Schedule of Expenditures of Federal and State Awards, Continued  
Year Ended December 31, 2008

State or Local Grantor/Program and/or Project Title	Grant Number	Pass-Through Entity Identifying Number/	State Expenditures
State Programs:			
California Department of Health and Human Services			
Direct Programs			
Indian Health Services:			
Indian Health Program	06-55471		\$ 353,249
Tribal Temporary Assistance to Needy Program	08-6098		59,991
Male Improvement Program	04-35701		44,774
Community Challenge Grant	05-45278		108,974
Traditional Gathering	08-85165		29,800
<b>Total California Department of Health and Human Services</b>			<b>596,788</b>
Children and Families First Commission			
Direct Programs			
Community Clinics Health Network—Oral Health Initiative	506717		49,426
<b>Total Children and Families First Commission</b>			<b>49,426</b>
University of California			
Direct Program			
San Diego Campus—TRDRP	N/A		2,239
<b>Total University of California</b>			<b>2,239</b>
Avon Foundation Breast Care Fund			
Direct Program			
Avon Benefit of Women	N/A		25,500
<b>Total Avon Foundation Breast Care Fund</b>			<b>25,500</b>
Susan G. Komen For the Cure			
Direct Program			
Komen Benefit of Women	N/A		22,561
<b>Total Susan G. Komen For the Cure</b>			<b>22,561</b>
Blue Shield of California			
Direct Program			
Blue Shield Core Support	2542839		35,000
<b>Total Blue Shield of California</b>			<b>35,000</b>
<b>Total expenditures of state awards</b>			<b>731,514</b>
<b>Total expenditures of federal and state awards</b>			<b>\$ 12,273,208</b>

N/A - Not applicable and/or available

See Notes to Schedule of Expenditures of Federal and State Awards.

Notes to Schedule of Expenditures of Federal and State Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the Schedule) presents the activity of all federal and state award programs of the Indian Health Council, Inc. (the Council). The Schedule includes federal awards received directly from federal agencies and state awards received directly from state agencies, as well as federal and state awards passed through other agencies. The Council's reporting entity is defined in Note 1 to the Council's basic financial statements.

The accompanying Schedule is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2. Office of Criminal Justice Planning Disclosures

The following schedule represents the detailed expenditures for each Office of Criminal Justice Planning program for the year ended December 31, 2008:

Crime Victim Assistance:			
Grant Award Number NA08051602:			
Personal services	\$	25,546	\$
Operating expenses	-	-	-
Equipment	-	-	-
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Personal services	\$	25,546	\$
Operating expenses	-	-	-
Equipment	-	-	-
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Personal services	\$	25,546	\$
Operating expenses	-	-	-
Equipment	-	-	-
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Personal services	\$	25,546	\$
Operating expenses	-	-	-
Equipment	-	-	-
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Personal services	\$	25,546	\$
Operating expenses	-	-	-
Equipment	-	-	-
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Personal services	\$	25,546	\$
Operating expenses	-	-	-
Equipment	-	-	-
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Personal services	\$	25,546	\$
Operating expenses	-	-	-
Equipment	-	-	-
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Personal services	\$	25,546	\$
Operating expenses	-	-	-
Equipment	-	-	-
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Personal services	\$	25,546	\$
Operating expenses	-	-	-
Equipment	-	-	-
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Personal services	\$	25,546	\$
Operating expenses	-	-	-
Equipment	-	-	-
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Personal services	\$	25,546	\$
Operating expenses	-	-	-
Equipment	-	-	-
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Personal services	\$	25,546	\$
Operating expenses	-	-	-
Equipment	-	-	-
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Personal services	\$	25,546	\$
Operating expenses	-	-	-
Equipment	-	-	-
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Personal services	\$	25,546	\$
Operating expenses	-	-	-
Equipment	-	-	-
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Personal services	\$	25,546	\$
Operating expenses	-	-	-
Equipment	-	-	-
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Personal services	\$	25,546	\$
Operating expenses	-	-	-
Equipment	-	-	-
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Operating expenses	-	-	-
Equipment	-	-	-
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Operating expenses	-	-	-
Equipment	-	-	-
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Operating expenses	-	-	-
Equipment	-	-	-
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Operating expenses	-	-	-
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Operating expenses	-	-	-
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Operating expenses	-	-	-
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Operating expenses	-	-	-
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Operating expenses	-	-	-
Equipment	-	-	-
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Operating expenses	-	-	-
Equipment	-	-	-
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Operating expenses	-	-	-
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Equipment	-	-	-
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Operating expenses	-	-	-
Equipment	-	-	-
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Operating expenses	-	-	-
Equipment	-	-	-
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Operating expenses	-	-	-
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Operating expenses	-	-	-
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Operating expenses	-	-	-
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Operating expenses	-	-	-
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Operating expenses	-	-	-
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Operating expenses	-	-	-
Equipment	-	-	-
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Personal services	\$	25,546	\$
Operating expenses	-	-	-
Equipment	-	-	-
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Personal services	\$	25,546	\$
Operating expenses	-	-	-
Equipment	-	-	-
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Operating expenses	-	-	-
Equipment	-	-	-
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Operating expenses	-	-	-
Equipment	-	-	-
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Operating expenses	-	-	-
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Operating expenses	-	-	-
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Operating expenses	-	-	-
Equipment	-	-	-
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Operating expenses	-	-	-
Equipment	-	-	-
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Personal services	\$	25,546	\$
Operating expenses	-	-	-
Equipment	-	-	-
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Operating expenses	-	-	-
Equipment	-	-	-
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Personal services	\$	25,546	\$
Operating expenses	-	-	-
Equipment	-	-	-
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Personal services	\$	25,546	\$
Operating expenses	-	-	-
Equipment	-	-	-
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Personal services	\$	25,546	\$
Operating expenses	-	-	-
Equipment	-	-	-
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Personal services	\$	25,546	\$
Operating expenses	-	-	-
Equipment	-	-	-
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Personal services	\$	25,546	\$
Operating expenses	-	-	-
Equipment	-	-	-
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Personal services	\$	25,546	\$
Operating expenses	-	-	-
Equipment	-	-	-
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Personal services	\$	25,546	\$
Operating expenses	-	-	-
Equipment	-	-	-
<hr/>			
Personal services	\$	25,546	\$
Operating expenses			

Notes to Schedule of Expenditures of Federal and State Awards

Note 2. Office of Criminal Justice Planning Disclosures, Continued

	Federal/	Local	Total
Violence Against Women Law Enforcement: Specialized Units Program, Grant Award Number A108111602:			
Personal services	\$ 8,132	\$ -	\$ 8,132
Operating expenses	1,024	-	1,024
Equipment	-	-	-
	\$ 9,156	\$ -	\$ 9,156
Specialized Units Program, Grant Award Number A107101602:			
Personal services	\$ 83,522	\$ -	\$ 83,522
Operating expenses	28,730	3,128	31,858
Equipment	-	-	-
	\$ 112,252	\$ 3,128	\$ 115,380
Violence Against Women Law Enforcement: Specialized Units Program, Grant Award Number IN08101602:			
Personal services	\$ 8,109	\$ -	\$ 8,109
Operating expenses	679	-	679
Equipment	-	-	-
	\$ 8,788	\$ -	\$ 8,788
Specialized Units Program, Grant Award Number IN07091602:			
Personal services	\$ 68,766	\$ -	\$ 68,766
Operating expenses	6,923	-	6,923
Equipment	-	-	-
	\$ 75,689	\$ -	\$ 75,689

**Independent Auditor's Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance With  
Government Auditing Standards**

To the Board of Directors  
Indian Health Council, Inc.  
Pauma Valley, CA

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Indian Health Council, Inc. (the Council) as of and for the year ended December 31, 2008, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated September 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Council in a separate letter dated September 23, 2009.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than those specified parties.

*McSherry & Fleen, LLP*

San Diego, CA  
September 23, 2009

**Independent Auditor's Report on Compliance With Requirements  
Applicable to Each Major Program, Internal Control Over  
Compliance in Accordance with OMB Circular A-133, and on the  
Schedule of Expenditures of Federal and State Awards**

To the Board of Directors  
Indian Health Council, Inc.  
Pauma Valley, CA

**Compliance**

We have audited the compliance of Indian Health Council, Inc. (the Council) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, that are applicable to each of its major federal programs for the year ended December 31, 2008. The Council's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Council's compliance with those requirements. In our opinion, the Council complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

**Internal Control Over Compliance**

The management of the Council is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Council's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by an entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal and State Awards

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Council, as of and for the year ended December 31, 2008, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated September 23, 2009. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities, and is not intended to be, used by anyone other than those specified parties.

*McSherry & Pallen, LLP*

San Diego, CA  
September 23, 2009



I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified  
Internal control over financial reporting:

• Material weakness(es) identified? ☐ Yes ☒ No

• Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified? ☐ Yes ☒ No

• Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

• Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? ☐ Yes ☒ No

Identification of major programs:

CFDA Number	Name of Federal Program
93.210	Tribal Self Governance Program: IHS Compacts/Funding Agreements
93.237	Special Diabetes Program for Indians

Dollar threshold used to distinguish between Type A and Type B programs: \$346,251

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Schedule of Findings and Questioned Costs, Continued  
Year Ended December 31, 2008

II. Financial Statement Findings

A. Internal Controls

None reported.

B. Compliance Findings

None reported.

III. Findings and Questioned Costs for Federal Awards

A. Internal Controls

None reported.

B. Compliance Findings

None reported.

The following findings were reported at December 31, 2007:

**I. Financial Statement Findings**  
**A. Significant Deficiencies**

**2007-1 Accounting and Reporting**

**Condition and Criteria:** A good system of internal controls incorporates systems whereby management is provided timely and accurate information. During the testing of third-party receivables, it was noted that a significant amount of time was spent by accounting staff to reconcile the subsidiary ledger used to track receivable balances to the general ledger.

**Effect:** Third-party revenues recognized and the related receivable balances could be misstated.

**Cause:** The Council's new computer third-party receivable software has been implemented in the current year while attempting to convert away from Resource Patient Management System (RPM/S), the old third-party receivable software. By year-end, they were in the middle of this conversion and neither the old nor the new system were 100 percent successfully installed. As a result, the overall integrity of the financial reporting system could be compromised in such a way that it would be difficult to determine that transactions are accounted for in the correct period or provide accurate year-end balances.

**Recommendation:** We recommend that the Council continue to convert away from RPM/S and provide for procedures to reconcile the balances on a monthly basis to provide for timely recording of transactions and the ability to safeguard the assets by analyzing that 100 percent of the receivables have been accounted for and recorded properly.

**Management Response:** The Council has set the deadline for completion of this task away from RPM/S to be no later than the end of 2008, taking the above recommendations into consideration.

**Current Status:** This deficiency was fully remedied during the year ended December 31, 2008.

**B. Prior Year Compliance Findings**

None reported.

**II. Prior Year Findings and Questioned Costs for Federal Awards**

**A. Significant Deficiencies**

None reported.

**B. Compliance Findings**

**Condition and Criteria:** A good system of internal controls incorporates systems whereby management is provided with information where funds are being properly expended as intended when a specific purpose has been identified.

**Effect:** Donated amounts specified for a specific purpose were not identified.

**Cause:** The Council received a significant donation to assist with the proper recording of transactions in the electronic health system and, as such, was not identified in a separate account.

**Recommendation:** We recommend that the Council set aside in separate accounts amounts such as these that are specific as to use.

**Management Response:** The Council has reviewed the amounts spent as specified and will track that the balance be utilized properly throughout 2008.

**Current Status:** This deficiency was fully remedied during the year ended December 31, 2008.

# Indian Health Council, Inc.

September 28, 2009



Governor's Office of Emergency Services  
Audits Unit  
3650 Schriever Avenue  
Mather, CA 95655

To Whom It May Concern:

Enclosed please find our Financial Statements with Independent Auditors' Reports for the year ended December 31, 2008. This information is provided in compliance with our agreement with your organization for the following grants:

AI08111602 Peace Between Partners  
NA08051602 CHAT  
IN08101602 Peace Between Partners/Sexual Assault

If you have any questions, please contact me at the address noted above.

Sincerely,

Heidi Hitt

Grant Analyst

Enclosure



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